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Fuel Oil News

The Largest Circulation Magazine of Oil Heating & Petroleum Handling

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THE 1985 SOURCE BOOK

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1985 SOURCE BOOK

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This is our seventh annual *Source Book*, which provides a comprehensive directory of oil heating industry suppliers, and listing of national, state and local trade associations, plus a detailed analysis of the oil heat marketer. The statistics generated in our survey is the result of responses to hundreds of questions completed by a representative sample of oil marketers and involves every aspect of marketing operations. Cover design by Craig Reuter.

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The Oil Heat Industry - 1984

Part I of our Seventh
Annual Profile Of Marketers

By George Schultz, Editor

Writing this analysis is the final step in a long, involved process which involves not only our staff, but hundreds of oil heat marketers across the country. Their responses to a rather long and complicated questionnaire is the basis of our industry profile, and the efforts by marketers who helped us in developing the statistics are sincerely appreciated.

Questionnaires were mailed out in mid-October to some 2,500 marketers randomly selected in order to provide a representative sample for statistical analysis. The questionnaires generated some 228 separate statistics, which were calculated by regional groups, then recomputed nationally. A total of 1,284 sets of data were totalled and averaged to produce the various tables presented here.

Once again this year, we have developed many of the same statistics which have been published every year since our first study in 1978. However, we've added and subtracted along the way, in response to changes in the industry. For example, the 1984 profile includes statistics not only on whether or not marketers use electronic data processing, but what specific applications are computerized,

	Fuel Oil	Gasoline
New England	100%	30.7%
Mid-Atlantic	100	33.3
South	93.3	73.3
Midwest	98.2	96.4
West	100	61.1
All Sections	98.3%	59.0%

the number of PCs in use, etc. Additional questions on gross sales and net revenues have been added, along with new questions about issues affecting the industry, and management practices. Also, because of the growing diversification of the industry, as demonstrated by the past three surveys, we've asked some specific questions relating to C-Store and gasoline marketing.

So let's begin at the beginning. Since we are dealing primarily with oil heating marketers (formerly known as *fuel oil dealers*) our first question dealt with exactly how many of those surveyed sell fuel oil and how many sell gasoline. Table 1 provides the answer, indicating that nationally, more than 98% of our respondents sell fuel oil either on a retail

or wholesale basis. More than half also sell gasoline, a situation which has existed for about three years based on past survey results. In the hard-core oil heat regions—New England and Mid-Atlantic—less than half of the sample sells gasoline, but quite a few do nonetheless. The sale of fuel oil dominates in every region, but in the Midwest nearly all our respondents sell both.

Table 2 provides a further breakdown of petroleum sales, detailing the percentage of dealers who consider fuel oil and gasoline either a primary or secondary source of income. Note that nationally, 81.4% say that retail fuel oil sale is a primary source of company income. Just 6.8% say it is secondary. Another 27.7% say bulk fuel oil sales a primarily responsible for income. About one-third say that gasoline, both retail and in bulk, is a primary source of income. The regional figures in Table 2 support Table 1, particularly in the Midwest, were more than 50% say that retail gasoline sales are a primary source of business income. Nearly half also say that bulk gasoline sales are primary.

FUEL OIL				
	Retail		Bulk	
	Primary	Secondary	Primary	Secondary
New England	93.3%	2.7	10.7%	10.7%
Mid-Atlantic	92.8	2.9	20.3	14.5
South	73.3	6.7	33.3	13.3
Midwest	58.9	16.1	51.8	28.6
West	88.9	5.6	22.2	44.4
All Sections	81.4%	6.8%	27.7%	22.3%
GASOLINE				
	Retail		Bulk	
	Primary	Secondary	Primary	Secondary
New England	21.3%	4.0%	13.3%	8.0%
Mid-Atlantic	20.3	7.2	15.9	8.7
South	40.0	6.7	60.0	
Midwest	53.6	23.2	46.4	30.4
West	33.3	11.1	38.8	11.1
All Sections	33.7%	10.4%	34.9%	11.6%
Less than .1%				

With all the talk about diversification, we asked our panel what percentage petroleum revenues represent in terms of overall income. The results, shown in Table 3, which is new this year, indicate that despite the trend to branch out into other businesses, petroleum marketers still depend on their bread-and-butter products—fuel oil, gasoline, motor oils, lube oils, etc.—for the overwhelming percentage of income. Nationally, petroleum sales represent 82.6% of all income. The regional figures fluctuate somewhat, but still represent the substantial share of revenues

No. 2 oil is the principal product sold, representing 56.2% of all petroleum products nationally. But, as shown in Table 4, gasoline has a greater percentage in the Midwest, and is just 1/10ths of one percentage point behind No. 2 oil in the South. The various percentages of each product haven't changed much from our last survey, although nationally diesel fuel has inched up at the expense of gasoline. The "other" category represent such products as lube oil, motor oils, asphalt, etc.

As shown in Table 5, the average oil heat marketer nationwide sells approximately 2.2 million gallons of distillate to 1649 residential and 181 commercial/industrial customers. The marketer who

New England	83.5%
Mid-Atlantic	85.5
South	75.7
Midwest	75.8
West	92.3
All Sectors	82.6%

sells residual has an annual volume of 2.1 million gallons, and marketers who also sell gasoline move about 2.6 million gallons. The distillate volume is up about one-half million gallons from our 1983 survey, and represents, to some degree, the degree-day differences from one year to the next. The residual volume average does not correlate with last year, since we averaged it based on just those who market resid this year, rather than using the whole sample as a factor as we did in 1983. About 15% of the respondents said they market resid. The gasoline volume also differs from last year's figure, for the same reason.

The average number of residential accounts is up in every region this year, with an overall average increase of some 500 customers! We double checked these figures to be sure that a decimal point didn't get misplaced, but the figures are right. Our only conclusion was that the difference was caused by a sample variation. Of course it would also be nice if,

contrary to claims of the gas heating industry about gaining in marketshare, oil heating marketers were actually bringing in new customers from other fuels. In any event, having an average of 500 more customers than last year, coupled with an increase in volume of 500,000 gals., resulted in the addition of personnel. In 1983, marketers had an average of 9.5 employees, but this year, that national average has swelled to 13.9. The greatest gains were in the Mid-Atlantic and South, but gains were also reported in the other regions as well.

Most of the heating oil is being sold to private homes, as shown in Table 6. Nationally, some three-quarters of all customers are residential dwellings. The remaining 25% is a combination of apartments, schools, hospitals and commercial and industrial buildings. There is no clear differences on a region-by-region basis, except for the fact that Southern and Midwestern marketers have the highest percentage of commercial customers (16.3% and 15.3%, respectively).

Tables 7 and 8 are new this year and show the relative size of the various marketers who responded to our survey. As shown, the greatest number of marketers had gross sales in the \$1 to \$5 million category, followed by those who made less than \$1 million. Companies

	No. 2	No. 1	No. 4	No. 5 & 6
New England	85.2%	3.2%	0.2%	0.1
Mid-Atlantic	75.1	6.4	0.4	2.3
South	34.8	9.5	.	.
Midwest	35.0	5.8	.	0.5
West	50.9	6.3	1.4	1.7
All Sections	56.2%	6.2%	0.4%	0.9%
	No. 2 for Diesel	Gasoline	LPG/LNG	Other
New England	4.5%	6.4%	2.0%	4.4%
Mid-Atlantic	7.6	15.4	1.1	0.2
South	22.5	34.1	.	.
Midwest	15.6	38.1	3.9	1.0
West	19.8	18.3	.	1.7
All Sections	14.0%	22.5%	1.4%	1.5%

*Less than .1%

	No. Residential Fuel Oil Accts	No. C/I Customers	Vol. Distillate	Vol. Residual	Vol. Gasoline	No. Employees
New England	1938	157	2,463,078 gal.	1,011,950	3,134,269 gal.	12.9
Mid-Atlantic	2815	271	3,537,228	6,854,333	2,018,500	24.1
South	1235	114	1,514,167	N.R.	3,014,288	12.9
Midwest	501	101	1,575,380	663,072	1,946,242	10.6
West	1756	265	2,216,667	261,250	2,880,834	9.0
All Sections	1649	181	2,261,304	2,118,121	2,598,826	13.9

N/R—Not Reported

with revenues in excess of \$5 million do exist, and even those who gross more than \$75 million, but obviously they are few and far between.

More than two-thirds of our panel had pre-tax earnings of less than \$100,000, including 38.2% with earnings of less than \$50,000 and 33.9% with earnings of \$50,000 to \$100,000. Note that the Mid-Atlantic had a relatively large percentage (compared to the other regions) of marketers who earned more than a half-million before taxes.

As has been revealed in the past three or four surveys, more than half of all oil heat marketers use EDP in one form or

Annual Heating Oil Sales by Type of Customers (Percent of Total Customers)						
	Private Homes	Apts.	Educ.	Hospitals	Commercial	Industrial
New England	86.0%	4.4%	1.0%	0.2%	6.7%	1.6
Mid-Atlantic	61.1	4.6	0.1	0.7	10.2	3.2
South	83.1	3.0	0.4	0.4	16.3	12.8
Midwest	70.0	2.8	1.6	0.9	15.3	4.5
West	78.4	3.7	2.4	0.4	9.9	10.7
All Sections	75.3%	3.8%	1.7%	0.5%	11.7%	6.6%

another. As explained previously, we changed the questions this year to get a better idea of how state-of-the-art technology is being applied to oil marketing. Table 9 shows that nearly 50% of all dealers have computers in their offices, either terminals, PCs, minis, etc. The

average dealer has 1.5 such units.

Computers are used primarily for accounts receivable and billing, with 98.7% of the computerized marketers using EDP for this function. The next most popular application, detailed in Table 10, is general ledger, with more

Table 7 Total Annual Company Pre-tax Revenue (Percent of Marketers by Revenue)							
	Less Than \$1 Million	\$1-5 Mil.	\$5-10 Mil.	\$10-25 Mil.	\$25-50 Mil.	\$50-75 Mil.	\$75+ Mil.
New England	36.8%	48.7%	7.9%	1.3%	2.6%		1.3%
Mid-Atlantic	33.3	40.6	13.0	7.2	2.9	1.4	1.4
South	28.6	28.6	21.4	21.4			
Midwest	19.2	48.1	19.2	13.5			
West	27.8	44.4	11.1	16.7			
All Sections	29.1%	42.1%	14.5%	12.0%	1.1%	0.3%	0.5%
Less than .1%							

Table 8 Pre-Tax Earnings (Percent of Marketers by Earnings)					
	Less Than \$50,000	\$50-100,000	\$100-200,000	\$200-500,000	\$500,000 +
New England	43.3%	35.0%	13.3%	3.3%	5.0%
Mid-Atlantic	26.3	43.9	12.3	5.3	12.3
South	35.7	28.6	28.6		
Midwest	44.7	38.3	6.4	8.5	2.1
West	41.2	23.5	23.5	5.9	5.9
All Sections	38.2%	33.9%	16.8%	4.6%	5.1%
Less than .1%					

Table 9 EDP Usage			
	Use EDP	Use Computers in Office	# Units (Terminals, PCs, etc.)
New England	41.3%	41.3%	2.3
Mid-Atlantic	60.9	56.5	2.3
South	60.0	60.0	1.3
Midwest	38.5	38.5	1.4
West	61.1	50.0	0.4
All Sections	52.4%	49.3%	1.5

Table 10 Computer Applications (Percent of Marketers by Application)						
	New England	Mid-Atlantic	South	Midwest	West	All Sections
General ledger	58.1	59.5	86.7	75.0	77.8	67.4
Accounts payable	45.2	54.8	77.8	70.0	77.8	65.1
Accounts receivable/billing	93.5	100	100	100	100	98.7
Inventory reconciliation	35.5	40.4	55.6	55.0	100	57.3
Payroll	38.7	50.0	44.4	70.1	77.8	56.2
Fixed asset management	12.9	21.4	33.3	15.0	44.4	25.4
Excise tax reporting	22.6	23.8	33.3	30.1	100	41.9
Communications with stations	6.5	4.8		5.0		3.3
Tracking supplier costs	9.7	9.5	33.3	5.1		11.5
Pricing analysis	12.9	9.5	22.2	5.0	22.2	14.4
Oil price info. service/petro scan	3.2	7.1	22.2			6.5
Lundberg on-line service	3.2					0.6
Word processing	45.2	26.2	44.4	15.0	55.6	37.3
Scheduling of deliveries	74.2	54.8	44.4	19.9	44.4	47.6
Less than .1%						

than two-thirds reporting that they use a computer for this purpose. Accounts payable is computerized by just under two-thirds of the marketers surveyed. Surprisingly, less than half said they use the computer for scheduling of deliveries, indicating that the dispatching department seems to be resisting the move to computerization. On a regional basis, New England dispatchers seem to be the least resistive, with Midwestern companies lagging behind their counterparts in other sections. Western dealers seem to use the computer more than dealers in other regions for many categories, particularly excise tax reporting, payroll, fixed asset management, pricing analysis and accounts payable.

The use of on-line information systems, such as PetroScan, Lundberg's On-Line Service and others, hasn't become a significant factor yet. Less than 10% of all dealers who use computers avail themselves of this application, but telecommunications is a relatively new concept and we predict that in the years to come, the use of on-line information networks will grow significantly.

In 1983, the average oil heating marketer had 4.3 delivery trucks, exactly the same figure shown in Table 11 of this

TABLE 11 Trucks Per Marketer					
	Average No. Del. Trucks	Average No. Trailers	Average Size		Optimum Size Preferred
			Largest	Smallest	
New England	4.5	0.5	2855	2163	2928
Mid-Atlantic	5.2	0.7	3198	2149	2970
South	4.0	1.3	2282	1723	2320
Midwest	3.0	0.6	2246	1716	2310
West	4.9	0.7	2730	1711	2843
All Sections	4.3	0.8	2662	1892	2674

Engine By Type					
	Use			Prefer	
	Diesel	Gas	Both	Diesel	Gas
New England	28.6%	27.1%	44.3%	61.4%	28.6%
Mid-Atlantic	24.3	32.9	42.9	61.4	27.1
South	20.0	26.7	53.3	40.0	33.3
Midwest	7.5	50.9	41.5	49.1	32.1
West	11.1	28.7	61.1	55.6	27.8
All Sections	18.3%	33.3%	48.6%	53.5%	29.8%

Truck Tanks By Type					
	Use			Prefer	
	Steel	Alum.	Both	Steel	Alum.
New England	67.1%	7.1%	25.7%	31.4%	48.6%
Mid-Atlantic	36.8	14.7	48.5	23.5	57.4
South	46.7	6.7	46.7	13.3	40.7
Midwest	64.2	7.5	18.9	35.8	28.3
West	33.3	11.1	50.0	5.6	77.8
All Sections	49.6%	9.4%	38.0%	21.9%	51.8%

TABLE 12 Average Age Of Trucks		
	Year Oldest	Year Newest
New England	1970.8	1979.5
Mid-Atlantic	1960.1	1979.3
South	1971.5	1979.8
Midwest	1973.2	1979.1
West	1966.1	1977.2
All Sections	1970.1	1979.0

Percent Buying This Year		
	New Truck	New Tank Only
New England	48.6%	20.0%
Mid-Atlantic	27.5	20.3
South	13.3	20.0
Midwest	25.9	16.7
West	22.2	16.7
All Sections	27.5%	18.7%

year's survey. However, regional figures changed somewhat, with an increase in New England to 4.5 trucks-per-marketer (from 3.8), a decrease of .9 in the Mid-Atlantic, small decreases in the South and Midwest, and a decrease of .8 in the West. The average number of trailers nationally dipped from 1.0 last year to 0.8, a minor change.

The average sizes of the largest and smallest trucks in marketer fleets didn't change much either. Last year, the average size of the largest was about 2,700 gallons, and the average size of the smallest was about 1,820 gallons. This year, those figures are 2,662 and 1,892, respectively, indicating no significant shifts in

fleet makeup. Marketers have revised their preferences, however. Last year, the optimum size nationwide was 2,429 gals., but this year, our panel said that the ideal rig was 2,674 gals.

Obviously the regional figures are more significant on this question, since the area served dictates the optimum vehicle capacity for the most part. Northeastern and Western dealers like larger rigs and the Midwestern and Southern dealers feel that something in the 2,300 gal. range is best suited for their needs. Table 11 gives the details regionally on fleet sizes, as well as engine and tank types.

About the same percentage of market-

ers said they prefer diesels this year as so indicated on our last survey. Diesel-only fleets grew somewhat, from 10.7% in 1983 to 18.3% this year. The gas-only fleets declined correspondingly, which left the combination diesel and gasoline fleets at about the same percentage as a year ago.

Steel tanks are in wider use, according to our panel, but the overall preference is for aluminum. About half of all marketers surveyed said their fleet has steel tanks only. Some 38% said they had both steel and aluminum, and 9.4% said they ran only aluminum rigs. With just over 50% saying they prefer aluminum, it seems that as rigs are replaced, the trend away from steel tanks will continue. Interestingly, Midwest respondents preferred steel tanks over aluminum, the only region in which this phenomenon occurred. About 25% of the marketers had no preference, which is why the two columns don't equal 100%.

How old are marketer fleets? We asked our panel the year of the oldest and newest truck in their fleet and their responses are shown in Table 12. The age of the oldest averages out to a 1970.1 rig, almost 15 years old. The newest truck in the typical fleet is almost six years old—it's a 1979.0. More than 25% (27.5%) expect to buy a new truck in 1985. Last year, only 18.4% said they were buying a new truck, so there seems to be more marketers who are willing to invest in the new equipment now.

As we have said before, the truck market was a good barometer for the oil heating industry. When business in good, product plentiful and prices stable, marketers are willing to take the substantial investment needed in a new truck which can cost close to \$100,000 these days. In the years 1980-82 when product was tight and gas conversions were strong, dealers were scared and didn't buy new rigs. The truck tank manufacturers went into a real depression, and it has only been during the last year that there has been an upswing for them.

Last year's study indicated that the average age of the newest truck was 1977.6, so the jump to the average of 1979 means that marketers are indeed upgrading their rolling stock, which is good news for the truck tank manufacturers and for the industry as a whole, since it indicates that marketers are again bullish about oil heat's future.

Along with the 27.5% who plan on buying a new truck in 1985, another 18.7% said they will put a new tank on an existing rig. And in New England, nearly half of all marketers polled (48.6%) said they will buy a new truck in '85, plus 20%

TABLE 13
Average Drop in Gallons

275 Gal. Tanks	
New England	172.4
Mid-Atlantic	169.9
South	162.5
Midwest	187.0
West	171.6
All Sections	172.7
550 Gal. Tanks	
New England	360.8
Mid-Atlantic	354.0
South	385.8
Midwest	403.6
West	355.0
All Sections	371.8

TABLE 14
Percent Using Two-Way Radios

New England	65.3%
Mid-Atlantic	62.3
South	86.7
Midwest	62.5
West	77.8
All Sections	70.9%

TABLE 16
Trends of Equipment Sales
Past 12 Months
(Percent Reporting)

Residential Up	
New England	69.2%
Mid-Atlantic	61.8
South	-
Midwest	46.7
West	33.3
All Sections	42.2%
Commercial Up	
New England	23.1%
Mid-Atlantic	30.9
South	N/R
Midwest	25.0
West	16.6
All Sections	19.1%
*Less than .1%	
N/R—Not Reported	

TABLE 15
Percent of Fuel Oil Dealers That
Sell, Install and/or Service All Types of
Heating/Cooling Equipment

New England	86.7%
Mid-Atlantic	77.5
South	26.7
Midwest	26.8
West	55.5
All Sections	54.6%

who will buy a new tank.

Table 13 indicates what the average drop is for marketers around the country. Midwestern dealers seem to have the best automatic delivery techniques, with an average drop to 275-gallon tanks of 187 gallons. Their average drop to 550 tanks is 403.6 gallons, again, the best of all regions. Last year, the national average for 275's was 169.5, just three gallons less than this year. The average for 550's was 356, just 15 gallons less than 1984.

Another aspect of trucks is two-way radios, and according to our panel, more

than 70% of their fleets are so equipped. This ranges from a low of 62% in the Mid-Atlantic and Midwest, to a high of 86% in the South.

Equipment Sales

Once again our survey has revealed a wide regional variation in the percentage of marketers who sell, install and/or service heating equipment. The South and Midwest, as expected, have the lowest numbers, with New England and the Mid-Atlantic on the opposite end of the scale. As Table 15 indicates, 54.6% of all marketers quizzed are involved in heating/cooling equipment, which is about three percentage points higher than last year. Some 86.7% of the New England marketers sell, install and/or service all types of heating/cooling equipment, as do 77.5% of the Mid-Atlantic dealers. More positive responses were recorded from the West than last year as well. In 1983, only 38.5% of the Western dealers

TABLE 17
Sources of Business Income
(Percent of Total Business Income)
HEATING EQUIPMENT

Retail		Wholesale
New England	76.0%	8.0%
Mid-Atlantic	69.6	11.6
South	21.4	-
Midwest	23.2	7.1
West	55.5	16.7
All Sections	49.1%	8.7%
A/C		Other
New England	13.3%	12.0%
Mid-Atlantic	30.4	21.7
South	6.7	33.3
Midwest	10.7	26.8
West	27.8	16.7
All Sections	17.8%	22.1%
*Less than .1%		
N/R—Not Reported		

TABLE 18
Percent of Fuel Oil Dealers That Sell, Install and Service Selected Heating/Cooling Equipment

Residential					
	Oil Burners	Gas Burners	Domestic Hot Water	Boilers	Hydronic Systems
New England	93.8%	23.1%	96.9%	84.6%	61.5%
Mid-Atlantic	94.5	32.7	83.6	70.9	52.7
South	26.7	6.7	-	13.3	6.7
Midwest	80.0	53.3	33.3	40.0	26.7
West	66.7	16.7	33.3	50.0	16.7
All Sections	72.3%	26.5%	45.4%	51.8%	32.9%
Commercial/Industrial					
	Oil Burners	Gas Burners	Domestic Hot Water	Boilers	Hydronic Systems
New England	66.2%	12.3%	50.8%	44.6%	20.3%
Mid-Atlantic	69.1	20.0	56.4	52.7	34.5
South	20.0	6.7	6.7	6.7	-
Midwest	40.0	26.7	13.3	26.7	6.7
West	44.4	5.6	27.8	33.3	16.7
All Sections	47.9%	14.3%	31.0%	32.8%	17.4%
*Less than .1%					

How could it freeze if I had the boiler turned on? This is the first time a pipe ever froze.

Lady, your boiler was not cycling often enough and you also don't have any anti-freeze. I'll install the NOBURST SYSTEM and you'll have the protection needed to keep your pipes from freezing. It also protects against corrosion. It's non-toxic and has rust inhibitors. That's why they call it NOBURST.



THE NOBLE COMPANY

614 Monroe Street
Grand Haven, Michigan 49417

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TABLE 19
Percent of Fuel Oil Dealers That Sell, Install and Service Selected Heating/Cooling Equipment

Residential					
	Unitary A/C	Electric Resistance	Insulation	Solar	
New England	10.8%	•	•	4.6%	12.3%
Mid-Atlantic	21.8	7.3	9.1	•	11.9
South	6.7	•	•	•	•
Midwest	26.7	6.7	6.7	•	6.7
West	16.7	5.6	•	•	5.6
All Sections	16.5%	3.9%	4.1%	•	7.3%
Commercial					
	Unitary A/C	Electric Resistance	Insulation	Solar	Refrigeration
New England	3.1%	•	•	4.6%	•
Mid-Atlantic	9.1	3.6	7.3	3.6	11.8
South	N/R	N/R	N/R	N/R	N/R
Midwest	6.7	6.7	6.7	6.7	6.7
West	•	•	•	5.6	•
All Sections	3.8%	2.1%	2.8%	4.1%	1.7

• Less than .1%
N/R—Not Reported

said they were involved with heating equipment. This year, that figure is 55.5%. Only the South and Midwest, with 26.7% and 26.8%, had a less than 50% involvement in equipment. One note of encouragement is the fact that both these sections showed increases over 1983; the South just one point, but the Midwest about 10% greater.

More than 40% of the marketers said that equipment sales in 1984 was better

than 1983 (when 43% said sales were better than '82). New England registered the greatest number of positive responses. 69.2% said residential equipment sales are ahead of 1983.

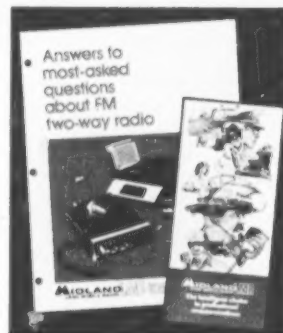
Commercial/Industrial equipment sales were up for 19.1% of all marketers involved with these markets, although the data from the South was insufficient to extrapolate a legitimate average. See Table 16 for trends in equipment sales.

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FUEL OIL NEWS

Residential		
	Furnaces	Warm Air Systems
New England	92.3%	83.1%
Mid-Atlantic	92.7	61.8
South	13.3	6.7
Midwest	80.0	53.3
West	66.7	50.0
All Sections	69.0%	51.0%
	Central A/C	Heat Pump
New England	18.6%	9.2%
Mid-Atlantic	43.6	23.6
South	13.3	.
Midwest	40.0	13.3
West	11.1	22.2
All Sections	25.3%	13.7%
	Continuous Air Circulation	
New England	7.7%	
Mid-Atlantic	5.5	
South	.	
Midwest	.	
West	16.7	
All Sections	6.0%	
Commercial		
	Furnaces	Warm Air Systems
New England	58.5%	46.2%
Mid-Atlantic	56.4	38.2
South	13.3	.
Midwest	33.3	20.0
West	44.4	22.2
All Sections	41.2%	25.3%
	Central A/C	Heat Pump
New England	13.8%	3.1%
Mid-Atlantic	25.5	12.7
South	6.7	.
Midwest	20.0	13.3
West	5.6	5.6
All Sections	14.3%	6.9%
*Less than .1%		

Table 17 provides an indication of the percentage of dealers who derive a significant share of their overall income from equipment sales. Retail heating equipment sales is important to nearly half—49.1% to be precise. This again varies by region, with 76% of all New England marketers claiming that retail heating equipment sales are a primary source of income, but just 21.4% of Southern marketers involved with it. Sale of heating equipment on the wholesale level was important to just 8.7% nationally, with the largest share in the West, where 16.7% said they sold heating equipment wholesale.

Air conditioning sales is important to 17.8% of our panel; 30.4% in the Mid-Atlantic for a high and 6.7% in the South

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January 31, 1985**



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TABLE 21
Average Number of Units Installed in Past 12 Months

Residential				Commercial			
	Burners	Boilers	Furnaces		Burners	Boilers	Furnaces
New England	57.4	37.4	15.0	New England	12.9	3.6	3.8
Mid-Atlantic	67.6	21.6	13.9	Mid-Atlantic	6.0	3.9	4.8
South	NR	NR	NR	South	NR	NR	NR
Midwest	25.0	6.3	25.1	Midwest	12.0	3.0	10.0
West	86.6	1.0	14.4	West	8.5	0.5	6.0
All Sections	43.3	13.3	13.7	All Sections	7.9	2.2	4.9

NR—Not Reported

Table 22
The Service Department

	Have Service Depts.	Average No. Calls per Year	Value of Parts/Inventory	Service Dept. Profitable	No. of Technicians
New England	82.7%	1090	\$22,129	40.3%	4.2
Mid-Atlantic	77.5	3109	24,329	43.6	5.3
South	36.3	275	25,875	25.0	0.8
Midwest	30.0	373	15,780	75.0	1.7
West	61.1	1720	11,143	72.7	2.8
All Sections	57.5%	1313	\$19,851	51.3%	3.0

for a low. One would think that these figures should be reversed, since it is hotter in the South than it is in New York, New Jersey, Pennsylvania, etc., but evidently somebody else is selling the bulk of the cooling equipment down in

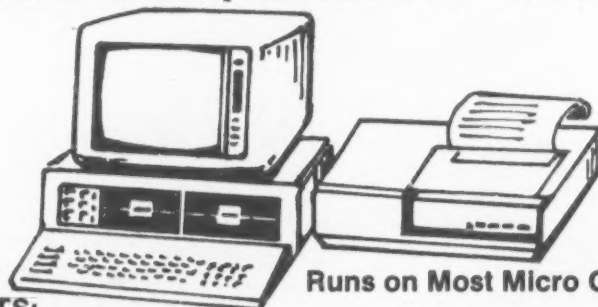
Dixie. Table 17 also reports that 22.1% of our sample said that "other" equipment was important to their income. This runs the gamut from Cub Cadet tractors and lawn mowers to swimming pools, patio furniture, TBA, trucking, chemicals and

fertilizer and a host of other products.

Of all marketers who sell heating equipment, 72.3% are involved in residential oil burners. This national average is more than 20% above last year, due mainly to increases in the Midwest and

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West. In 1983, just 13.8% said they sell, install and/or service residential oil burners. This year, 80% do. In the West, the percentage jumped from 38.5% to 66.7%.

Although we hate to mention it, more than one-quarter of the dealers sampled who are involved in equipment also sell gas burners. This figure is particularly large in the Midwest, where gas has the lion's share of the marketplace. Tables 18, 19 and 20 show the percentages of marketers who are involved with the various heating/cooling products, both residential and commercial/industrial.

Table 21 shows the average number of burners, boilers and furnaces installed by dealers during 1984. Nationally, the average dealer installed 43.3 residential burners, 13.3 residential boilers and 13.7 residential furnaces. The figures are up for burners and boilers, and relatively stable for furnaces. In 1983, the average dealer installed just 28.4 burners and 7.8 boilers. Commercial equipment is also up for 1984, with the average number of commercial burners installed pegged at 7.9, boilers 2.2 and furnaces 4.9. Unfortunately, we didn't get enough data from the South to develop averages.

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Equipment Service

The number of marketers who have service departments has increased since our last survey, as noted in Table 22. Last year, 44.3% of the national sample had service departments but this year that figure has risen to 57.5%. This is undoubtedly because the industry recognizes the need to keep customer equipment running smoothly and efficiently in order to keep the competition out of the cellars. Less than half of our Southern and Midwestern respondents have service departments, but the percentages have gone up considerably since last year when less than 20% in either region had service departments. Service departments make an average of 1,313 calls per year, or 0.8 calls per residential customer. Service parts inventory amounts to \$19,851 for the average dealer, and just over half of all those reporting said their service operation was profitable. To accomplish the service, marketers had an average of three technicians.

On a regional basis, Mid-Atlantic marketers made the most service calls and consequently had the most service technicians on average. Southern marketers made the fewest calls and had the fewest technicians. The percentage of departments which was profitable is also lowest in the South, and the departments have the highest price tag on the parts inventory.

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TABLE 23

Percent of Dealers Losing Customers to Gas Heat

	Percent Losing Customers	Average No. Customers Lost
New England	63.6%	8.1
Mid-Atlantic	79.2	20.1
South	100	14.4
Midwest	81.2	16.0
West	83.3	21.3
All Sections	81.6%	16.0

Table 24

Percent of dealers indicating gas conversions are a major threat to their business and what they're doing about it

	% Saying Gas is A Major Threat	% Taking Steps To Combat Gas	% Making Conversions To Gas
New England	30.9%	47.3%	11.0%
Mid-Atlantic	63.0	71.7	30.4
South	80.0	60.0	25.0
Midwest	68.2	72.7	13.8
West	72.7	100	20.0
All Sections	63.0%	70.3%	20.0%
Less than .1%			

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The Competition

Natural gas competition is still a major concern to our panelists, with 81.6% of those polled indicating that they have lost customers to gas heat during the past year. Each of those companies lost an average of 16 customers to gas heat. Table 23 gives the details. Southern dealers were the hardest hit, in terms of percentage of companies losing customers. Western dealers lost the most customers, followed closely by Mid-Atlantic marketers.

Table 24 shows that 63% of our respondents feel that gas heat is a major threat to their business (interesting, since more than 80% lost customers to gas). 70.3% are taking steps to combat gas heat, a greater percentage than those who are concerned about it. Evidently, although some marketers don't think that gas heat is a major threat, they aren't going to sit still about it either. When all else fails, 20% of our sample will actually make the conversion to gas for the dissatisfied oil heat customer. Better to make the profit on the conversion than nothing at all is the way some put it when commenting on this question.

Because we asked a lot more questions this year, it's necessary to break our annual study into two parts. Part II, which will appear in the January 1985 issue, will cover important issues which affect the oil industry. We asked our panel how they felt about such things as government controls & interference, the need to reduce overhead, how they view competition from utilities & the majors, etc.

We also asked about boiler/furnace replacements, when they are recommended, whether dealers make brand recommendations, and what influences them in selecting a brand to market. New statistics on management and gasoline marketing will also be presented, including C-Store operations and accounting practices. Don't miss Part II, coming next month.

fuel oil news

January 1985

The Largest Circulation Magazine of Oil Heating & Petroleum Handling



**OIL HEATING EQUIPMENT:
THE MAGIC IS BACK**

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Cover:
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The Oil Heat Industry - 1984

Part II of our Seventh Annual Profile Of Marketers

By George Schultz, Editor

Last month we presented Part I of our seventh annual study of the oil heating industry. As we noted, we asked quite a few additional questions this year, resulting in more statistics than previous studies. Hence we are presenting Part II herewith, covering the retrofit market, issues affecting the marketing community, management practices and C-store and gasoline marketing.

Under what conditions do dealers recommend to their customers replacement of the heating system? Table 25 indicates the percentage of dealers who chose the listed conditions as cause for recommending replacement. Heading the list this year is a leaky boiler, which moves up from third place last year. A furnace or boiler which gives continuous problems remains number two on the list, and a system which is old and inefficient drops down to third. The relative stand-

ings on a region-by-region basis fluctuates somewhat, but generally holds true for all areas of the country.

Table 26 indicates the percentage of dealers who make brand recommendations to customers, and the percentage of customers who follow those recommendations. Almost 70% of the marketers tell their customers to install a Burnham boiler or Beckett burner or some other

specific brand of equipment and 80% of those recommendations are followed. That's a strong argument for manufacturers to court the marketer segment of the industry.

What influences marketer brand selection is detailed in Table 27. Combustion efficiency is the most important factor according to our panel, with 64.9% of those responding giving this the top prior-

Table 26
Brand Name Specifications
(Percentage of dealers who recommend equipment replacements by brand)

	% Recommend Brand Name	% of Customers Following Recommendations
New England	85.6%	81.3%
Mid-Atlantic	75.0	81.1
South	33.3	83.3
Midwest	82.5	88.8
West	90.0	88.5
All Sections	69.3%	80.2%

Table 25
Percent Recommending Furnace/Boiler Replacement Under Following Conditions

	New England	Mid-Atlantic	South	Mid-West	West	All Sections
Boiler leaks	95.0	85.5	75.0	57.9	72.7	75.2
Furnace/boiler gives continuous problems	88.3	90.1	50.0	78.9	46.4	82.3
Operating with no problems, but old & inefficient	83.8%	72.7%	25.0%	62.8%	54.8%	57.0%
Furnace emits fumes	48.3	47.3	80.0	52.6	64.5	50.8
Furnace/boiler breaks down	50.0	52.7	50.0	36.8	27.3	43.4
Furnace/boiler is inefficient (but not necessarily old)	42.3	47.3	25.0	21.1	45.4	38.4
Homeowner objects to heating bills	46.7	47.3	25.0	21.1	35.4	35.3
Homeowner threatens to convert to another fuel	26.7	30.9		25.3	45.4	25.9
Less than .1%						

Table 27
Percent Indicating Major Factor in Brand Selection

	New England	Mid-Atlantic	South	Mid-West	West	All Sections
Combustion efficiency	63.2%	58.0%	N.R.	68.7%	78.2%	64.9%
Quality of construction	54.7	55.0	N.R.	77.8	38.1	59.7
Low incidence of service requirements	22.9	20.6	N.R.	22.2	33.3	24.7
Ease of service	21.7	18.9	N.R.	18.5		14.7
Low retail price	6.6	10.3	N.R.		23.0	10.1
Reliability	8.4	6.2	N.R.	7.2	4.8	6.7
Long warranty	11.3	3.1	N.R.		4.8	4.8
Compactness	4.7	3.1	N.R.		9.6	4.3
Quietness	4.7		N.R.	7.4		5.0
High markup opportunity		3.1	N.R.			1.9
Less than .1%						
N.R.—Not Reported						

Table 28A
Issues Affecting the Industry
(Percent Indicating Importance)
General Concerns & Information

	Critical	Very Important	Important	Not Important
New England	32.3	35.5	21.0	8.1
Mid-Atlantic	35.6	35.6	20.3	8.5
South	50.0	28.6	14.3	•
Midwest	25.0	40.0	25.0	10.4
West	•	44.4	33.3	22.2
All Sectors	28.6	36.8	22.8	9.8

*Less than .1%

Table 28B
Issues Affecting the Industry
(Percent Indicating Importance)
Regulation of Use of Resources

	Critical	Very Important	Important	Not Important
New England	10.7	30.4	26.8	32.1
Mid-Atlantic	3.4	28.8	23.7	32.2
South	•	21.4	35.7	28.6
Midwest	6.3	12.5	47.9	27.1
West	11.1	22.2	22.2	33.3
All Sectors	6.3	23.1	31.3	30.7

*Less than .1%

Table 28C
Issues Affecting the Industry
(Percent Indicating Importance)
Conservation Programs

	Critical	Very Important	Important	Not Important
New England	16.1	19.4	37.1	27.4
Mid-Atlantic	11.9	32.2	15.3	35.6
South	42.0	21.4	21.4	7.1
Midwest	22.9	31.3	29.2	14.6
West	16.7	27.8	22.2	16.7
All Sectors	22.1	26.4	25.1	20.3

Table 28D
Issues Affecting the Industry
(Percent Indicating Importance)
Pollution Control & Environmental Concerns

	Critical	Very Important	Important	Not Important
New England	19.2	30.8	30.8	19.2
Mid-Atlantic	3.4	22.0	42.4	20.3
South	14.3	14.3	35.7	21.4
Midwest	8.3	33.3	27.1	20.8
West	5.6	33.3	22.2	22.2
All Sectors	10.2	26.7	31.6	20.8

Table 28E
Issues Affecting the Industry
(Percent Indicating Importance)
High Technical Needs

	Critical	Very Important	Important	Not Important
New England	28.8	35.6	25.4	10.2
Mid-Atlantic	18.6	15.3	33.9	27.1
South	42.9	28.6	21.4	7.1
Midwest	41.7	31.3	18.8	4.2
West	44.4	33.3	16.7	5.6
All Sectors	35.3	28.8	23.2	10.8

Table 28F
Issues Affecting the Industry
(Percent Indicating Importance)
Energy Use, Conservation, Research & Development

	Critical	Very Important	Important	Not Important
New England	32.8	39.1	18.8	9.4
Mid-Atlantic	35.6	42.4	16.9	3.4
South	21.4	50.0	14.3	7.1
Midwest	22.9	33.3	27.1	10.4
West	5.5	44.4	•	27.8
All Sectors	23.6	41.8	15.4	11.6

*Less than .1

Table 28G
Issues Affecting the Industry
(Percent Indicating Importance)
Regulation of Energy Production

	Critical	Very Important	Important	Not Important
New England	31.0	34.5	24.1	10.3
Mid-Atlantic	22.0	35.6	30.5	5.1
South	35.7	42.9	7.1	•
Midwest	35.4	33.3	22.9	2.1
West	22.2	55.6	5.6	5.6
All Sectors	29.3	40.4	18.0	4.6

*Less than .1%

Table 28H
Issues Affecting the Industry
(Percent Indicating Importance)
Conservation Programs

	Critical	Very Important	Important	Not Important
New England	23.3	30.0	31.7	15.0
Mid-Atlantic	27.1	30.5	20.3	15.9
South	35.7	7.1	21.4	35.7
Midwest	35.4	25.0	18.8	20.8
West	50.0	11.1	11.1	16.7
All Sectors	34.3	20.7	20.7	21.0

Table 28I
Issues Affecting the Industry
(Percent Indicating Importance)
Pollution Control & Environmental Concerns

	Critical	Very Important	Important	Not Important
New England	36.2	41.4	19.0	3.4
Mid-Atlantic	25.4	37.3	32.2	•
South	42.9	35.7	14.3	•
Midwest	37.5	43.8	16.7	2.1
West	44.4	33.3	11.1	•
All Sectors	37.3	38.3	16.7	1.1

*Less than .1%

Table 28J
Issues Affecting the Industry
(Percent Indicating Importance)
Research & Development

	Critical	Very Important	Important	Not Important
New England	9.4	28.3	37.7	24.5
Mid-Atlantic	6.8	13.6	32.2	32.2
South	7.1	21.4	42.9	7.1
Midwest	10.4	31.3	35.4	10.4
West	11.1	27.8	38.9	5.6
All Sectors	9.0	24.5	37.4	16.0

Table 26 Percent of Dealers trading on the futures market	
New England	13.3%
Mid-Atlantic	13.6
South	23.0
Midwest	.
West	.
All Sections	10.0%
Less than .1%	

Table 27 No. of Dealers Operating	
New England	4.5
Mid-Atlantic	9.2
South	4.5
Midwest	5.3
West	4.0
All Sections	5.5

Table 28 Average Dealer Volume Per Station (Percent Reporting Such Operation)					
Less than 50,000/Month	50-75,000/Mo.	75-100,000/Mo.	100-125,000/Mo.	125-150,000/Mo.	150,000+/Mo.
New England	57.1	28.6	14.3	.	.
Mid-Atlantic	77.1	11.1	11.1	.	.
South	60.0	20.0	.	10.0	10.0
Midwest	60.6	27.3	9.1	3.0	.
West	86.7	14.3	.	.	.
All Sections	68.1	20.3	6.9	2.6	2.0
Less than .1%					

Table 29 Services Offered at Retail Outlets (Percent Reporting Such Offerings)									
	Check Cashing	Auto Service	Hot Food	TBA	Lottery Tickets	Beer Wine	Bakery Goods	Canned Goods	Cigarettes Soda
New England	55.6	88.9	11.1	88.9	22.2	33.3	33.3	44.4	66.7
Mid-Atlantic	11.1	55.6	44.4	22.2	.	11.1	11.1	33.3	66.7
South	44.4	66.6	66.6	44.4	.	77.8	66.6	77.8	77.8
Midwest	68.7	64.5	30.3	64.5	.	30.3	30.3	36.4	68.7
West	.	28.6	14.3	14.3	.	14.3	14.3	14.3	14.3
All Sections	35.6	56.6	31.1	44.9	4.4	33.4	28.9	41.2	59.0
Less than .1%									

Table 30 Trend in Retail Outlets in Past Two Years (Percent Reporting Following Situation)			
	Increased 5-10 Outlets	Increased More than 10 Outlets	Same No. of Outlets
New England	.	22.2	77.8
Mid-Atlantic	33.3	.	66.7
South	10.0	.	90.0
Midwest	14.8	3.7	66.7
West	28.6	.	14.3
All Sections	17.3	5.2	63.1
Less than .1%			

Table 31 Industry Publication Most Helpful to Dealers in Operating Their Fuel Oil Business (Percent Reporting)						
	New England	Mid-Atlantic	South	Midwest	West	All Sections
Fuel Oil News	89.3%	83.1%	92.3%	62.5%	66.7%	76.6%
Nat'l. Petroleum News	21.3	16.9	38.5	35.7	22.2	26.9
Fuel Oil & Oil Heat	46.0	45.1	7.7	16.1	11.1	25.6
Oil Express	2.7	2.6	23.1	12.5	22.2	12.7
Petroleum Equipment	6.7	8.5	30.8	12.5	.	11.7
Other	14.7	11.3	15.4	8.9	.	10.1
Pet. Mktg. Mgmt.	2.7	11.3	7.7	10.7	16.7	9.6
Petroleum Marketer	4.0	5.6	7.7	8.9	11.1	7.5
Oil Daily	6.7	.	7.7	14.3	.	5.7
Contractor	4.0	11.3	7.7	.	56	4.2
Platt's Oilgram	1.3	2.8	15.4	1.8	.	2.7
The Lundberg Letter	2.7	.	7.7	1.8	.	2.4
Snipe	.	1.4	.	.	.	0.3
Less than .1%						

Table 28A
Issues Affecting the Industry
(Percent Indicating Importance)
Their Control of the Industry

	Critical	Very Important	Important	Not Important
New England	10.7	25.0	30.4	33.9
Mid-Atlantic	13.6	13.5	35.6	25.4
South	14.3	42.9	28.6	
Midwest	18.8	25.0	41.7	10.4
West	11.1	16.7	33.3	16.7
All Sectors	13.7	24.6	33.9	17.3

*Less than .1%

ity. Quality of construction is also very important, as is low incidence of service requirements. The other factors, while important, are not quite as critical in deciding on what brands to market.

Tables 28A through 28K provide responses from our panel on a variety of issues they face in operating their businesses. The ability to increase sales seems to be critical to the greatest percentage, followed closely by high interest rates and competition from utilities. Of least importance seems to be reducing the number of suppliers. Of course, it is interesting to note the regional differences on the various questions. Local conditions dictate what is important to a businessman.

This series of questions is new this year and it should also be pointed out that although our respondents differed in their concerns, the least important issue was still of some importance to almost 70% of those polled.

The vast majority of reporting companies are corporations, according to Table 29. The next largest group is proprietorships, followed by Subchapter-S corporations. Relatively few were trusts (not enough to compute), and a few others were partnerships.

For accounting purposes, goods are computed on a Last In-First Out basis by more marketers than other methods of fixed asset management. Replacement

Cost is the second most popular, and Weighted Average is the least popular. These methods differ regionally. For example, New England and Mid-Atlantic marketers prefer Replacement Cost accounting. The details are in Table 30.

Table 31 shows the percentage of marketers which use the two accepted value exchange methods. Nationally, including value exchange net balances in inventory has the edge over including it as a purchase and sale, but again, this differs regionally.

Energy futures trading is a question we've asked for four years now, and the percentage of dealers involved in the Merc has grown on each survey. This year, 10% nationally have traded energy futures, up from 7.8% last year. The Midwest lost some traders, due mainly to the fact that the Chicago Board of Trade, which has traded in No. 2 oil, dropped that commodity. See Table 32.

Because of the evolution of the oil heating dealer into a petroleum marketer, we decided this year to ask some questions about gasoline and C-store outlets.

Table 33 shows the average number of retail gasoline outlets by those dealers who market gasoline. Table 34 gives the average gasoline volume per station. Note that Mid-Atlantic marketers have the largest number of retail outlets, although the vast majority of these stations pump less than 50,000 gallons per month.

Table 30
How Goods Are Computed
% of Dealers Using the Following Method

	Weighted Average	LIFO	FIFO	Replacement Cost	Standard Cost
New England	12.9	16.1	11.3	38.7	21.0
Mid-Atlantic	20.3	20.3	15.3	25.4	18.6
South	8.3	41.7	16.7	25.0	8.3
Midwest	10.4	43.8	12.5	12.5	20.8
West		30.8	23.1	23.1	23.1
All Sectors	10.4	30.5	15.3	24.9	18.4

*Less than .1%

Table 29
Type of Business Entity
Percent of Marketers Reporting

	Corporation	Subchapter Corp	Partnership
New England	73.0	7.9	19.0
Mid-Atlantic	68.9	4.9	26.2
South	92.3	7.7	
Midwest	71.2	9.6	19.2
West	86.7		13.3
All Sectors	78.4	6.0	15.5

*Less than .1%

Table 35 gives a perspective of the types of services offered at these outlets, including C-store merchandise, auto service, TBA, etc.

The number of outlets dealers are operating hasn't changed much in the past two years, with 63.1% marketers saying that the number of outlets operated has been steady. About 17% said they have increased the number of retail outlets by between five and ten, and 5.2% said they've opened more than 10 new outlets. See Table 36

New York City's Mayor Ed Koch is fond of asking the question "How'm I doing?" when dealing with the media, and we couldn't resist the urge to ask our sample something similar. Specifically, we asked what industry publications are most helpful to them in operating their oil heating business. We were gratified to discover that the overwhelming majority feel that *Fuel Oil News* is the most helpful and provides us with the impetus to continue to provide the kind of editorial coverage that will help dealers maintain their viability in the marketplace.

Table 37 shows the percentage of dealers who find the listed publications most helpful. Our sister publication, *National Petroleum News*, came in second, we are happy to say.

Well, that's it. We hope that the range of statistics presented here will assist the various segments of the oil heating industry and its suppliers in a profitable and successful 1985.

Table 31
Value Exchange at End of Reporting Period

	Include Net Balance in Inventory	Include As Purchase & Sale
New England	51.5	46.5
Mid-Atlantic	35.3	64.7
South	80.0	20.0
Midwest	60.7	39.3
West	37.5	62.5
All Sectors	53.0	47.0